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C O N F I D E N T I A L BEIJING 004097

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SUBJECT: CHINA'S SINOPEC SAYS NO PROGRESS ON ENERGY DEALS
WITH IRAN

Classified By: Minister-Counselor Rob Luke Reasons 1.4 (b) and (d)

¶11. (C) Summary. A China Petroleum and Chemicals Corporation (SINOPEC) official stated that SINOPEC has not made any progress in its oil projects in Iran and that it must comply with guidance from the Chinese government and UN sanctions against Iran. A Chinese academic at an MFA affiliated think tank told us separately that the Chinese government asked unspecified oil companies with projects in Iran to put their contracts on hold to demonstrate cooperation with the West, but he did not expect the measure to last. End Summary.

¶12. (C) SINOPEC's Deputy Director General for International Cooperation Zhang Zheng on October 24 told the Embassy that there has been no progress in SINOPEC's energy agreements with Iran. (Note: SINOPEC in December 2007 signed a \$2 billion agreement with the Iranian National Oil Company to develop the Yadavaran oil field, aiming to produce 85,000 bpd within four years and an additional 100,000 bpd within another three years. End note.) He emphasized that as a large state-owned enterprise, SINOPEC must follow directives from the central government. Iran and foreign media may release information to the contrary, but this should not be trusted.

¶13. (C) According to MFA-affiliated Chinese Academy of Social Sciences (CASS) Institute of Middle East Studies professor Yin Gang, the Chinese central government asked unspecified oil companies to put projects in Iran on hold to demonstrate cooperation with the West, though he noted that a couple contracts were still moving forward. This was a temporary policy and he predicted that if the Iranian nuclear crisis dragged on for more than another year or two, the government would lift current restrictions on oil companies engaged in Iran. Oil company executives in the targeted companies were upset about the restrictions and complained that the Chinese government "was surrendering to the US."

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